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MAY 1988

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

Success Through People

A new era in the way America does business

- ACCENT ON SERVICE
  Hotels clean up their act
- PROGRESS REPORT
  Update on computer tracking
- BENEFITS OF COURTING NEWLYWEDS
- CONSUMER PROMOTION SURVEY

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INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

MAY 1988 — 84th YEAR, VOL. 162, NO. 5

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Our new name, ***INCENTIVE***, reflects a change in the way American companies do business. Emphasis is on people—both customers and employees.

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The link between quality improvement and marketing marks a profound change in American business. U.S. companies have learned that quality is the ultimate marketing weapon and that success—maybe even survival—hinges on a dedicated work force. American Express, American Airlines, Ford and WordPerfect are just some of the progressive organizations that talked with ***INCENTIVE***.

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Trends in sales promotion. See page 74.

Courting newlyweds. See page 45.

INCENTIVE covers the methods used by organizations to motivate customers at all levels to buy and employees to work more effectively.

Cover illustration by John Jinks

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FACTS SURVEY

Consumer Incentives

Marketers anticipate a slow year in consumer promotion spending and results.

A case of economic jitters seems to have hit consumer incentive users, resulting in stagnation of 1988 promotion planning. After a spending increase of 6.5 percent last year, a sample group of marketers in an **Incentive** survey predicts a budget rise of just 1.9 percent for this year's consumer incentives.

Most of these users—137 companies in a broad range of industries—gave their estimates early in February, a time when many were a bit shaken by reports of plummeting consumer confidence and bulging inventories. Those are often signals to promote more aggressively, but many marketers evidently were still feeling October shock waves.

Consumer promotion in 1987 came out of just such a slump: 1986 showed almost no increase in incentive spending. The question now is whether these early 1988 reports represent a short-term breather or another yearlong hiatus in the making. Quite a number of the survey respondents indicated some doubt about their planned expenditures for this year, perhaps leaving the door open for acceleration.

The hottest growth categories in 1987 were the relatively small sweepstakes and contests, up about 16 percent over the year before, and factory-packs, which rose by 9.5 percent. The biggest segments rose more slowly: self-liquidators up 3.9 percent and direct premiums rising 6.9 percent. Free mail-in offers showed strength with an estimated 8.1-percent increase in expenditures for 1987.

Users in the latest survey show continued enthusiasm for the modest factory-pack category, with a 10.4-percent projected increase, but have allotted only an additional 1.5 percent for sweepstakes and contests. Self-liquidators are expected to be up 3.2 percent, while other direct premiums are standing still with a 0.8-percent increase.

Last year's total consumer incentive spending by manufacturers and distributors came to an estimated $3.93 billion, split about evenly between mail-in offers and direct premiums including coupon plans. Retailer-sponsored promotions accounted for another $1.55 billion. (The 1988 survey, concerned with product promotion trends, did not include retailers.)

The most aggressive industries in consumer promotion last year were petroleum products, up 13.3 percent, and auto parts, tires and accessories, up 12.3 percent. The big loser was the feed, fertilizer and farm supply industry, which slashed 11.7 percent off its previous-year budgets.

Marketers in the latest survey are not getting the results they experienced in the past few years. Expected

sales increases with a consumer incentive offer averaged near 19 percent in 1986 and 1987, and above 20 percent in the two preceding years. Users now report a yield averaging only 16.1 percent. The median, which had been at 15 percent for some time, has fallen significantly to 10 percent.

There also is a slight pull-back in the number of promotions conducted by these users. This year's survey shows a median of three mail-in promotions and three direct premiums used by marketers each year. A similar group last year ran one more direct-premium offer.

Direct mail is the most popular way to communicate consumer incentive offers—favored by 59 percent, the survey found. Point-of-purchase is second on the list, favored by 32 percent. Here is the way eight media listed in the survey questionnaire stack up:

- ▶ Direct mail..... 59%
- ▶ Point-of-purchase..... 32%
- ▶ Newspapers..... 31%
- ▶ Trade publications 23%
- ▶ Consumer magazines 17%
- ▶ TV or radio 13%
- ▶ On-package 10%
- ▶ Sunday supplements..... 9%
- ▶ Other..... 7%

RESPONSE RATES

MEDIAN NUMBER OF RESPONSES PER 1,000 ADVERTISING EXPOSURES FOR MAIL-IN OFFERS

	PRINT	BROADCAST	DISPLAY	PACKAGE
▶ Self-liquidator under $10	21	9	8	6
▶ Self-liquidator $10 or more	10	7	4	4
▶ Free mail-in offer	20	*	20	15

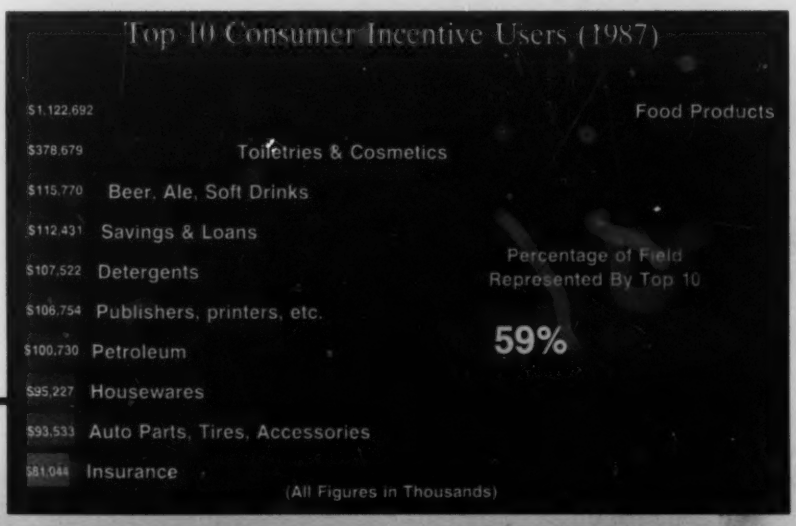
*Insufficient data

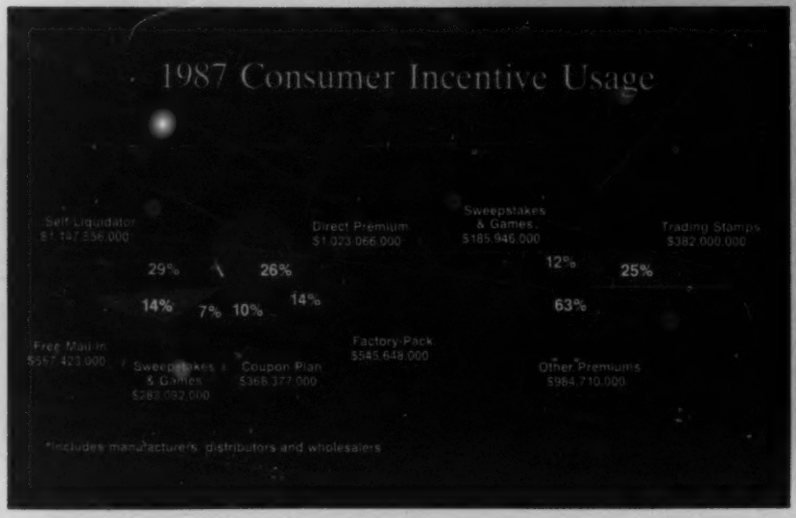
Newspapers have lost some support with these users, declining from 40-percent usage a year ago. Trade publication advertising has increased from 16 percent. Respondents report that, in 59 percent of cases, they advertise the retail values of items offered.

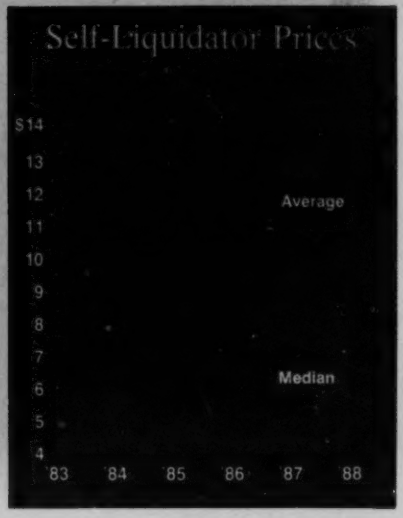
For companies that market products through retail stores, a major function of promotion is to increase use of point-of-purchase display materials. Results here also show some disappointment among users. This year's executives find only a 26-percent gain in display use during in-

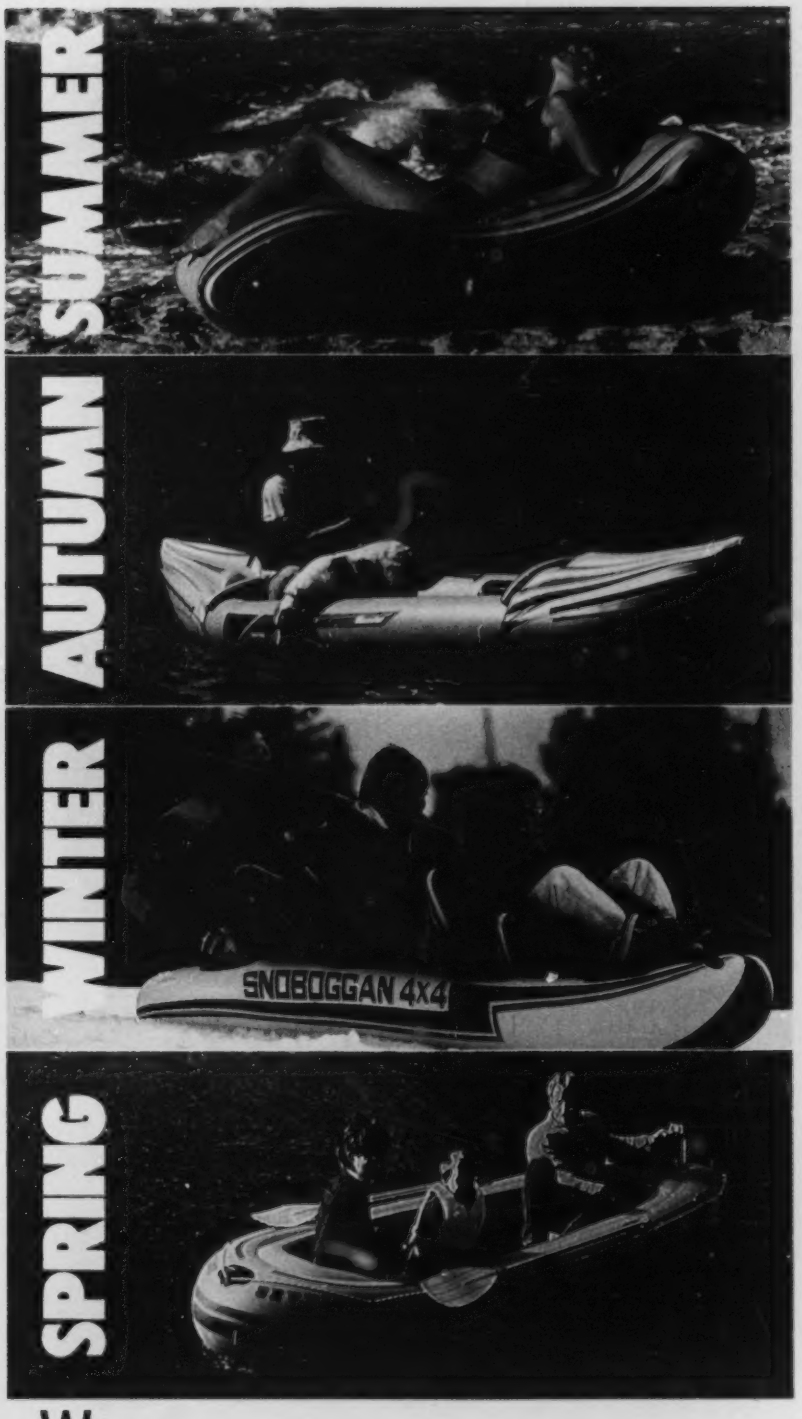
1987 ROUNDUP

Up last year: sweepstakes and factory-packs (below left); spending by the petroleum and auto products industries (above right); self-liquidator prices (below right).









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Circle No. 176 on Buyer Action Card

Direct mail is the preferred advertising medium for consumer incentive offers, the survey finds.

centive promotions, on average—a drop from 38 percent reported last year.

This year's reports show the average price of a self-liquidator is $14.38. Any average, however, may not reflect the true value given to the consumer. The term "self-liquidating" has become a misnomer in recent years. We asked users what percentage of the actual premium cost is covered by the customer's payment: In four consecutive surveys, the average has dropped from 93 percent to 85 percent to 75 percent to 69 percent this year.

On the other hand, this price relationship is muddled by the sleight of hand and eight-point type that adds "postage and handling" to the boldly advertised price. In some instances, those charges seem to have little relationship to the actual cost of moving the merchandise to the customer. There is a substantial decline in the incidence of these charges among this year's survey respondents. A year ago, fully 76 percent said they added postage and handling charges; this group did so in only 47 percent of cases.

Perceptions change as to where the threshold of falling response lies as the self-liquidator price rises. This year, users' answers averaged $27.49, up from $24.35 in the previous survey. The median is between $10 and $11.

There is little change this year in the marketers' practices with free mail-in offers. As a percentage of the retail product purchase required to qualify, the free item cost respondents an average of 25.9 percent. The proofs of purchase required averages 2.5.

With factory-packs, users spend an average of 17.4 percent of the purchase price, with a median of just 7.5 percent. **CONTINUED ON PAGE 59**

Circle No. 120 on Buyer Action Card ⟶

Users report that only 69 percent of a self-liquidator's cost is covered by the customer's payment.

In achieving objectives, direct premiums score highest in seven of nine purposes. The widely used self-liquidator is best in cost-effectiveness.

To select the right incentive item and get some idea of its pulling power, many users test their promotions in some manner before running full-scale promotions. Forty-four percent test mail-in offers, while 49 percent test other offers. Sixty-one percent note a preference for items that relate to the products with which they are offered.

We asked these marketers their preference in testing methods. As usual, personal interviews are favored, but by 45 percent versus 51 percent last year. Consumer panels have risen in favor, and almost twice as many users now like package inserts and bounce-backs (in which the consumer sends back a reply card) to measure an item's appeal. This is how they voted for eight different methods of testing:

- ▶ Personal interviews..... 45%
- ▶ Single offer by mail..... 26%
- ▶ Mail questionnaire/ballot... 22%
- ▶ Consumer panel..... 19%
- ▶ Bounce-back..... 16%
- ▶ Package insert..... 14%
- ▶ Newspaper split run..... 10%
- ▶ Store panel..... 7%
- ▶ Other..... 5%

Executives report an average test accuracy of plus or minus 26 percent; only 59 percent are happy with the way their tests help forecast promotion results.

The people who direct the tests, read the results and make the final decisions on consumer incentives are: top-management executives in 55 percent of cases; directors of sales or marketing, 26 percent; directors of advertising or sales promotion, 11 percent, and product or merchandising managers, 8 percent. □

EFFECTIVE TECHNIQUES

% OF CONSUMER PROMOTION USERS WHO CONSIDER EACH TECHNIQUE MOST EFFECTIVE FOR REACHING EACH GOAL

	▶ GET SHELF ATTENTION		▶ SELL-IN TO DEALERS		▶ BOOST REPEAT SALES	
BEST	DIRECT PREMIUM FACTORY-PACK	21% 12%	DIRECT PREMIUM COUPON PLAN	33% 7%	DIRECT PREMIUM FREE MAIL-IN	29% 19%
WORST	SELF-LIQUIDATOR	2%	SELF-LIQUIDATOR	3%	FACTORY-PACK SWEEPSTAKES	2% 2%
	▶ SALES TALKING POINT		**▶ BUILD USER GOOD WILL**		**▶ GAIN AD READERSHIP**	
BEST	DIRECT PREMIUM FREE MAIL-IN	22% 7%	DIRECT PREMIUM COUPON PLAN	28% 21%	FREE MAIL-IN DIRECT PREMIUM	17% 12%
WORST	FACTORY-PACK SELF-LIQUIDATOR	5% 5%	SWEEPSTAKES	3%	FACTORY-PACK	2%
	▶ OBTAIN STORE DISPLAYS		**▶ SAMPLE NEW USERS**		**▶ COST-EFFECTIVENESS**	
BEST	DIRECT PREMIUM FREE MAIL-IN	38% 7%	DIRECT PREMIUM FREE MAIL-IN	21% 19%	DIRECT PREMIUM SELF-LIQUIDATOR	19% 19%
WORST	SELF-LIQUIDATOR	3%	SWEEPSTAKES	1%	FACTORY-PACK	2%

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